563 871 191 Educational Board was abolished, and special officials (a German, a Russian, a Pole, and a Jew) have since been put in charge of the educational affairs of their respective national groups. A further blow was struck with the issue of a new decree in January 1935, requiring all public and private economic undertakings to keep their books and conduct their correspondence and general business in the Lettish language. In June twelve Polish schools were closed.

563 475 648 Finally, on New Year's Day of 1936, came the unkindest cut of all, when decrees were issued setting up State Chambers of Trade and of Industry and Commerce, and providing for the eventual dissolution of other economic organizations such as the German guilds, which had existed for some 700 years, and the transfer of their property to the new Chambers or to the local administrations. This measure aroused the resentment not only of the German minority in Latvia, which presented a memorandum on the question to the Government, but also of the German Government, which took up the cudgels on their behalf. On January 16, 1936, the Latvian Minister in Berlin handed in a protest against the violent anti-Latvian press campaign which ensued; on the 22nd the German Minister in Riga called on President Ulmanis, but the latter protested firmly against any German interference in Latvian affairs. Soon after, in March, a secret organization believed to have connexions with Germany was discovered; the arrest of some thirty-five German Balts followed, and, on April 1, a decree was issued dissolving all the economic organizations which had not already complied with the economic decrees of the previous January.[1]

Estonia. The bulk of the Estonians themselves belong to the small 565 peasant class, which was emancipated from serfdom in the last cen- 563 tury; a few are labourers and artisans, and there is a small middle 162 class. The national minorities, which in 1934 amounted to 11·8 per cent. of the total population of 1,107,059,[2] consist chiefly of Russians, Germans, Swedes, and Jews. Nearly three-quarters of the Russians are poor peasants living in the eastern frontier districts, the other

[1] The famous Riga *Gewerbeverein* was spared, as being a purely cultural union.

[2] TABLE 5. *Population of Estonia According to Race.*

Race	1922		1934	
	Number	Percentage of total	Number	Percentage of total
Estonian . . .	970,707	87·68	997,923	88·2
German . . .	16,319	1·66	16,346	1·5
Russian . . .	91,109	8·23	92,656	8·5
Swedish . . .	7,850	0·71	7,641	0·7
Jewish . . .	4,566	0·41	4,434	0·4
Others . . .	14,506	1·31	7,190	0·7

642 leaders (not including General Larka) were arrested.[1] The presidential
661 and parliamentary elections were postponed until the end of the state of emergency, which was itself prolonged in September for another year.

642 Some attempt to adhere to constitutional procedure was made, however, in October 1934, when an extraordinary session of the *Riigikogu* was summoned; but, in view of the recalcitrant attitude of the majority of the representatives, it was immediately prorogued, and in January 1935 President Paets announced the Government's
•[478] intention of replacing the new Constitution by a system of corporative representation. A beginning was made in the following March with the creation of an Economic Council, ten of whose members were to be appointed by the President, while the remaining fifteen
[665] would be elected by the Chambers of Commerce. At the same time the single-party system was introduced, with the foundation of a Patriotic party under the direction of the Chief of Propaganda.
646 Finally, on January 8, 1936, a Bill empowering the Government to summon a Constituent Assembly was submitted to a referendum and approved by 474,218 votes to 148,824. This Bill provided that the Assembly, which was to adhere to republican and democratic principles, should consist of two Chambers: the first composed of eighty members elected by direct, universal, equal, and secret suffrage on the principle of personal election; the second of forty members, ten of whom would be appointed by the President and the remainder by the various public bodies.[2]

While the results of the elections to this Assembly, which were held in December 1936, have not been published, it is understood that little more than half the electorate voted, and that in fifty of the eighty constituencies only one candidate was presented for election, while, although some Opposition leaders were returned in the remaining thirty, even here the majority of seats fell to Government nominees. Moreover, the restrictive precautions taken during the electoral campaign were such as to evoke a manifesto in the Finnish press by four former party leaders, MM. Tõnisson, Piip, Kukk, and Teemant.

642 The National Assembly met on February 18, 1937, and was dissolved on August 17, after adopting the final draft of the constitutional law presented for their consideration by the Government. Its main provisions are as follows:

642 The President is elected for six years, by direct, universal, and
646 secret suffrage; the National Assembly consists of a Chamber of

[1] An attempted coup planned by the Liberators in December 1935 was forestalled by the arrest of General Larka and other leaders, and was punished by the infliction of severe sentences on some 148 prisoners, in May 1936. About half of the latter, including General Larka, have since been amnestied.

[2] e.g. by the Courts of Justice, local government bodies, corporations, churches, cultural boards of minorities, the Civil Guard, &c.

641 June certain leaders of the extreme Fascist organizations, including the Pehr Konkrusts Society, were also arrested, while in October a number of Lettish Germans and a few German nationals belonging to the Baltic Brotherhood—a society working for the absorption of the Baltic States by Germany—were sentenced to short terms of imprisonment.

642 The Government had announced in 1934 that it would draft constitutional reforms, curtailing the power of the *Saeima* and increasing those of the President, who, by an Army Law of January 1, 1935, was appointed the supreme chief of all the armed forces. On March 19, 1936, a law was issued providing that on the expiry of President Kviesis's second term of office on April 11, M. Ulmanis should become acting President until the completion of the constitutional reform. [475] Meanwhile, preparations were in train for an entirely new constitution on corporative lines; in January 1936 a law was promulgated creating a national economic council, consisting of representatives of the Chambers of Commerce, Industry, Agriculture, Labour, and Artisans, to deal in an advisory capacity with questions submitted to it by the Government. The Council did not meet, however, until January 1938; nor was martial law allowed to lapse until the following February, when it was replaced by a new 'Law for the Defence of the State', giving extraordinary powers to the Minister of the Interior with regard to the press, the liberty of the subject, and the rights of association and assembly.

4. Lithuania

645 *Political Parties.* From November 1918 to June 1926, political life in Lithuania was dominated by the nationalist and clerical **Christian-Democratic Party**,[1] which was founded in 1890, and which,

1 Table 10. *Lithuanian Election Results, 1920–36.*

Parties	*Constituent Assembly 1920–2*	*1st Seimas 1922–3*	*2nd Seimas 1923–6*	*3rd Seimas 1926–7*	*4th Seimas 1936*
Christian-Democrats	59	15	14	14	..
Peasant Union		12	14	11	..
Federation of Labour		11	12	5	..
Populists	29	19	16	22	..
Social-Democrats	14	11	9	15	..
Communists	..	5	..	..	..
Farmers' Party	..	..	..	2	..
Nationalists	..	..	..	3	46
Minorities:					
Jews	6	3	6	3	..
Poles	3	2	11	4	..
Russians	..	..	1	..	..
Germans	1	..	2	6	3
Total	112	78	85	85	49

439 tons British. The Niemen is navigable as far as the Lithuanian-
505 Polish 'administrative line', and is used for cargo traffic as far as
361 Kaunas.

361 The administration of the harbour is provided for in an annex to
504 the Memel Statute of 1924, and is controlled by a board consisting
675 of one member appointed by the Lithuanian Government, one by the Memel Directorate, and one by the League of Nations. Since 1924 noteworthy steps have been taken to improve the technical equipment of the port. The harbour has been extended and deepened, docks have been excavated, cranes have been installed, and ware-
[457] houses built, the cost, running into 'several tens of millions of lits',[1] being borne mainly by the Lithuanian Government. Some of the expenditure, however, has been met out of a loan issued by the city in 1927 amounting to 4,000,000 RM. nominal and offered in Germany.

361 As has already been mentioned, Memel is a comparatively impor-
438 tant industrial centre. Of the 1,056 industrial enterprises in Lithuania employing 5 or more workmen at the beginning of 1937, 137 were in Memel, and of the 30,561 persons employed in such industries throughout Lithuania, 8,112 were employed in the Memel Territory. The more important industries include sawmills, veneer works, chemical fertilizer plants, and cellulose undertakings. There are also textile and tobacco factories of some size.

361 Outside the industrial district of the Territory the principal
241 occupation is agriculture. It is impossible to give any indication as
439 to the volume of production, since the figures are included with those of Lithuania proper. According to the available information, however, there is normally a small surplus of production for export; and since the easiest, if not the only, market is East Prussia, the agricultural population of the Territory suffered considerably from the virtual suspension of commercial intercourse between Lithuania and Germany owing to the dispute of 1932–5. The Agreement of August 1936 was consequently followed by an appreciable improvement.

361 The Statute of 1924 gives the Administration powers to levy direct
651 and indirect taxation inside the Territory with the exception of
652 Customs and excise duties and certain monopolies. The Territory has a separate budget, which in 1934 balanced at about 14 million lits. The only funded debt outstanding is the loan of 1927 already mentioned.[2] Owing to the harbour's international importance, there is a comparatively large number of commercial and other banks domiciled in the Territory.

[1] *Lithuanian Telegraph Agency (Elta) Service*, March 1936.

2 [see above, line 12 -- Analyst]

433 has ceased to import more goods, in value, than she exports. In all three countries, though less, perhaps, in Lithuania than in the other two, the progress of industry has been considerable. But the re-
● 475 organization is not limited to the nature of production itself. For, especially in Estonia and Latvia, the State has gradually tended to play a more and more important part in the economic system, until its activity in some respects can be described only as State capitalism. Thus, though there has certainly been a substantial recovery in all three countries, the economic systems, at any rate of Estonia and Latvia, have emerged from the depression in a very different form from that in which they entered it.

I. PRICE MOVEMENTS AND THE PRODUCTIVE SYSTEM, 1931–7

1. General Considerations

435 The main results of the crisis of 1930–2, as has just been mentioned,
511 were severe falls in the price of the principal articles produced by the Baltic States, and an almost equally heavy decrease of consumption in their chief foreign markets. The former of these two results had a serious effect, first on the position of the agricultural population and then upon the standard of living of the whole community. Since the worst year of the crisis prices have not only ceased to fall, but have risen appreciably; in Estonia and Latvia currency depreciation and devaluation have given an additional stimulus to the rise of prices expressed in national currency. To this extent the difficulties caused by the fall of 1930–2 have been diminished. On the other hand, consumption in the chief markets of the Baltic States has improved only very gradually, and the problems
433 caused thereby have therefore been of a less transitory nature. For,
178 in order to remedy the consequent shortage of exchange, Latvia, Estonia, and, to a smaller degree, Lithuania have been forced to modify their productive systems in order to produce commodities which were formerly imported. Thus, during the years 1931–7, Estonia and Latvia have become to a very large extent self-supporting in certain of the chief foodstuffs, and in all three countries a policy of industrialization is being pursued.

2. Price Movements and their Effects

435 The extent of price movements during these years is shown in Table 32 on p. 145.

These indices, of course, include the price of a number of articles not produced in these States, especially certain imported manufactured goods in which the fall of prices was smaller than in many

178 to something like boom conditions during 1936 and 1937–8, when a shortage of labour and a movement towards higher wages, attracting workers from agriculture, began to be felt. The progress of industrialization during these years has largely been due to private initiative. But, in its initial stages, the State gave indirect encouragement by the imposition of import and currency restrictions, and in recent years has begun to play a more active part.

178 438 Industrial development has chiefly consisted in the further employment of plant already in existence, especially in the textile industry, where substantial progress was made on the lines already mentioned,[1] particularly in the use of home-grown flax. Considerable progress also was made in the plywood industry, mainly as the result of the building boom in Great Britain. As already stated, there was a noteworthy expansion in the shale and ancillary industries. Since 1930 plant has been greatly extended, and, by the end of 1936, the exploitation of Estonia's shale resources had reached a point where [439] it did much to compensate for the lack of other fuel.[2] It is noteworthy that, whereas the increase of industrialization in Latvia led to an increase of coal and coke imports from 4·2 per cent. of the total annual average value of imports in 1928–30 to 10·8 per cent. in 1936, in Estonia, where the progress of industrialization was nearly as great, the figure remained stable at about 1·4 per cent.

New industries also have been started since 1930. The production of artificial horn, which is made from milk, has assumed substantial proportions, and exports have steadily risen from 24 tons in 1928 to 751 tons in 1937. In the autumn of 1936 a factory was begun for the ● [475] manufacture of sulphate of cellulose. Negotiations are at present in progress for the erection of a plant for making superphosphate, which is to use the large deposits of phosphate near Tallinn, one of the few important mineral deposits in the Baltic States other than shale.[3] In this the State is, apparently, taking a direct interest. The State has also taken a direct interest in a brick-making concern founded in 1936.

471 433 *Latvia.* In general, however, the interest of the State, direct and indirect, is far greater in Latvian industry. This is a tendency which can be dated fairly accurately from the coming of the totalitarian régime in 1934. Before that date developments in industry since 1930 had been similar to those in Estonia. The first effect of the crisis was to restrict very severely the activity of the industries

[1] See above, p. 118.

[2] According to an article by the Estonian Minister in London in *The Banker* for March 1938, the output of oil-shale increased between 1920 and 1930 from 48,000 to 498,000 tons, and rose to 1,100,000 tons in 1937. Similarly, the production of crude oil increased from 10,000 tons in 1930 to 110,000 tons in 1937.

[3] *Die Börse* (Vienna), January 4, 1937; *The Banker*, March 1938.